

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

September 10, 2008

VSTRS Members present:

JON HARRIS, Chairperson (Active No. 25669), term expiring July 1, 2011

JOSEPH MACKEY, Vice-Chairperson (Active No. 29334), term expiring July 1, 2009

THOMAS CANDON, representing Commissioner of BISHCA

JEB SPAULDING, VT State Treasurer

VAUGHN ALTEMUS, representing Commissioner of Education

VSTRS Members absent:

VACANT, Association of Retired Teachers of Vermont, term expiring July 1, 2012

Also attending:

Elizabeth Pearce, Deputy Treasurer

Bill Rice, Law & Policy Director

David Minot, Director of Finance and Investments

Cynthia Webster, Retirement Policy and Outreach Director

Linda Deliduka, Vermont Retired Teachers Association

Chairperson Jon Harris, called the Wednesday, September 10, 2008, meeting to order at 9:23 a.m., which was held in the 4th Floor Conference Room, 109 State Street, Montpelier, Vermont.

The Board acknowledged the terrible loss of Jay Kaplan, a long-term Board member and diligent advocate for active and retired members.

ITEM 1: Approve the Minutes of: July 24, August 4 and August 8, 2008 – Business Meetings

On motion of Mr. Candon seconded by Mr. Mackey, the Board unanimously voted to approve the minutes of July 24 as submitted.

On motion of Mr. Altemus seconded by Mr. Mackey, the Board unanimously voted to approve the minutes of August 4 as submitted.

On motion of Mr. Mackey seconded by Mr. Altemus, the Board unanimously voted to approve the minutes of August 8 as submitted.

ITEM 2: Discuss/Act on disability retirements for:

Judy A. Unger-Clark

David Blake

Constance E. Young

John McShane – ratify results of written poll

On motion of Mr. Altemus seconded by Mr. Candon, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for Judy Unger-Clark.

On motion of Mr. Spaulding seconded by Mr. Mackey, the Board unanimously voted to move into executive session at 9:23 a.m. pursuant to Title 1 § 313, to discuss the medical records of the disability retirement applicant. The board moved out of executive session at 9:36 a.m.

On motion of Mr. Spaulding seconded by Mr. Mackey, the Board unanimously voted to accept the recommendation of the MRB to allow the disability retirement for David Blake.

On motion of Mr. Mackey seconded by Mr. Candon, the Board unanimously voted to accept the recommendation of the MRB and allow the disability retirement for Constance Young.

On motion by Mr. Candon seconded by Mr. Altemus, the Board unanimously voted to ratify the results of the written poll to accept the recommendation of the MRB to allow the disability retirement for John McShane.

ITEM 3: Discuss opinion from Attorney General's Office regarding disability retirement processes

Pursuant to the opinion from legal counsel, the Board agreed to set up regular monthly conference calls to address pending disabilities. The board will be polled to establish a regular monthly date for the conference call meeting when necessary.

ITEM 4: Discuss/Act on *Excess Compensation* submitted proposals

On motion of Mr. Altemus seconded by Mr. Harris, the Board unanimously voted to approve the *Excess Compensation* requests for Bonnie Ayer and Ann Park. Contrary to the recommendation of staff, it was the consensus of the Board that the additional information submitted by Ann Park was the deciding factor in voting to approve her request as they felt it met the established standard of significant additional professional duties.

On motion of Mr. Harris seconded by Mr. Mackey, the Board unanimously voted to deny the *Excess Compensation* requests submitted by Guy Egri, Jane Goodman, James Miller and Nancy Morrie. It was the consensus of the board that the outline of duties contained in these requests did not appear to be professional in nature, and therefore could be performed by a non-licensed teacher. The denials may be appealed by the teachers if they wish to submit additional information for board consideration.

ITEM 5: Discuss/Act on amended retirement factors and medical PRO factors

On motion of Mr. Spaulding seconded by Mr. Candon, the Board, pursuant to the motion passed by the Board on October 30, 2007 (Item 5) related to actuarial assumptions for benefit determination, voted to accept the resulting factors from those assumption that were generated by the Levi, Ray & Shoup, Inc. PensionGold PE Retirement Solution System, as validated by Buck Consultants and presented to the Board on September 10, 2008, to be effective for benefit payments made after January 1, 2009.

On motion of Mr. Spaulding seconded by Mr. Candon, the Board, pursuant to the motion passed by the Board on October 30, 2007 (Item 5) related to actuarial assumptions for benefit determination, voted to accept the resulting factors for service purchases, conversions, and level funding from those assumptions that were generated by Buck Consultants and presented to the Board on September 10, 2008, to be effective for benefit payments made after October 1, 2008.

On motion of Mr. Harris seconded by Mr. Altemus, the Board unanimously voted to accept the current Premium Reduction Option (PRO) factors and request that they be updated every two years henceforth.

ITEM 6: Update on status of 403b Investment

Ms. Webster explained that she had been invited to attend meetings with the Vermont Superintendents Association and the Vermont Association of School Business Officers to discuss the VSTRS 403(b) Investment Program. There appears to be a lot of interest, and many school districts have already made the decision to adopt the program as soon as it is available.

Ms. Pearce provided an update on the status of the contract with Great West. If the Vermont State Retirement System adopts Reality Investing for the State of Vermont 457 Plan, the fees might be lower for both that plan and the VSTRS 403(b) program. The good news is that fees are fixed and will not increase even with the additional complexity of requiring individual adoption agreements from each participating school district. The contract with Great West will be a five part contract, consisting of a Services Agreement, Custody Agreement, Annuity Agreement, Reality Investing Agreement and Self-Brokerage Agreement.

Staff will be making a waiver request to the Department of Banking, Insurance, Securities and Health Care Administration shortly to be able to enter into the Annuity Agreement. Mr. Candon suggested the Board would be the program provider and the school district would be the plan sponsor who would sign the adoption agreement with Great West for the VSTRS 403(b) Investment Program.

Discuss/Act on self brokerage option due diligence and recommendation

On motion of Mr. Spaulding seconded by Mr. Mackey, the Board unanimously voted to select Charles Schwab as the trading broker for the Self-Brokerage Option in the VSTRS 403(b) Investment Program. Mr. Candon disclosed that he has an account with Charles Schwab.

Mr. Minot provided a summary of his due diligence on the funds selected for the VSTRS 403(b) program. He stated Vanguard and T. Rowe Price consistently rose to the top of best funds in class.

ITEM 7: Update on status of VPAS – new computer system

Ms. Pearce provided an update on the VPAS project, stating that active member deployment is expected to occur in December and benefit payments is expected to be deployed in January.

ITEM 8: Review updated policy document that was amended at the June 10, 2008 meeting

The Board reviewed the policies that were updated at the June meeting. Staff was requested to research the Business Conduct Policy established on February 18, 2004 and report back to the Board at the December meeting.

ITEM 9: Review draft of job descriptions for Board members and alternate

The Board reviewed the draft submitted by staff and suggested the following additions:

- Elect active and retired member representative and alternate to the VPIC Board
- Oversight of the VSTRS 403(b) Investment Program

ITEM 10: Review language for statement and link for calculating annuity value for member statements

After considerable discussion, the Board decided not to pursue adding language to the statements this fall. Mr. Altemus volunteered to conduct research on other options and report back to the board at a future meeting.

ITEM 11: Discuss the procedure for setting the Board's agenda

It was decided that the Chair would work with staff to develop a draft agenda to circulate to full Board at least two weeks in advance of each meeting. Board members would have an opportunity to make changes prior to the finalizing the agenda.

ITEM 12: Conduct election for representative to VPIC Board

Mr. Harris nominated Mr. Mackey as the TRS representative on the VPIC Board for the remainder of the term, and Mr. Mackey nominated Mr. Harris as the alternate on the VPIC Board for the remainder of the term. **The Board voted unanimously to accept both nominations.**

ITEM 13: Any other business to be brought before the Board

The Board agreed to support staff's current practice of not allowing members of the system to report non-teacher earnings (such as paraprofessional, janitorial or bus driving duties) for retirement purposes.

The Board requested Mr. Minot to be prepared to review at the December meeting the investment performance of the Single Deposit Investment Account and discuss whether there should continue to be two investment managers going forward, or whether just one manager would suffice.

On motion of Mr. Candon seconded by Mr. Altemus, the Board unanimously voted to adjourn at 1:35 p.m.

Next Meeting Dates:

The VSTRS actuarial valuation meeting is scheduled for October 29, 2008.
The next scheduled business meeting is December 10, 2008

Respectfully submitted,

Cynthia Webster, Secretary to the Board